



COR-0687
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NRO REVIEW COMPLETED

24 November 1959

MEMORANDUM FOR : Executive Officer, PIC
SUBJECT : Contract No. [] ITEX Study of
PIC Functions and Capabilities

1. The subject contract was issued on a Cost-Plus-A-Fixed-Fee basis in the amount of [] to cover a Study of the Photographic Intelligence Centers' Functions, procedures methods and make recommendations with regard to improvement and growth potential.

2. Contractor has completed the contract and the final report is contained in the document, Photo Data Processing Study, No. [] Contractor had informally advised the Contracting Officer that it had incurred costs of approximately [] in excess of the amount allotted to the contract. However, because of the nature of the contract and the hopes of obtaining sales of equipment, the Contractor had orally agreed to absorb the overrun itself.

3. Subsequently, the Contractor advised the Contracting Officer by telephone that a review of the costs indicated that a portion of the hours expended were devoted to preparing proposals for equipment sales to this and other Government Agencies. Contractor's normal practice is to charge this type of effort into its overhead accounts in lieu of a direct charge to a particular contract. By charging these cost into overhead, all Customers bear a share of these costs in the equipment or services they procure from the Contractor since only a portion of all the proposals prepared are ever accepted. The Contractor requests our approval to remove these costs which he states were erroneously charged to [] and apply them to the overhead account. This in effect permits reimbursement to the Contractor for a portion of the purported overrun.

4. Prior to granting this approval, the Contractor was requested to submit in detail the type of effort and number of hours which it is seeking to back out of [] and charge to overhead. The attached letter is the Contractor's reply to this request. It is requested that this letter be reviewed by cognizant persons in your center and your comments furnished on the following:

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a. Does the type of effort appear to be outside of the scope of Contract No. []

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b. Did anyone in the PIC request this work to be done; or, to anyone's knowledge there, did the Contractor volunteer to accomplish this work in connection with the work under []

c. Do the number of manhours appear reasonable for the type of work?

d. Have you seen or are you aware of proposals involving the type of effort expended?

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5. Your early comments on the above would be appreciated. If you have any questions on the above or the attached letter please contact [] extension []

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[]
Contracting Officer

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DPD-DD/P []
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1-PIC []
2-PIC []
3- [] T&P Sec.
4-Chrono